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Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-08 COME-00 TRSE-00 OMB-01
CIAE-00 INR-07 NSAE-00 DODE-00 /033 W
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R 041450Z APR 77
FM AMEMBASSY BELGRADE
TO SECSTATE WASHDC 115

UNCLAS BELGRADE 2027

EO 11652: NA
TAGS: BPRO
SUBJ: PROPOSED EXIMBANK FINANCING OF AN INVESTMENT CASTING FACILITY AND MACHINE TOOLS TO ZAVODI CRVENA ZASTAVA, KRAGUJEVAC, YUGOSLAVIA

REF: (A) STATE 48859, (B) STATE 70988, (C) 76 BELGRADE 6052

1. ABSOLUTELY NO RPT NO OBJECTION EXISTS TO EXIMBANK PARTICIPATION, AND WE HOPE EXIMBANK WILL EXTEND ALL POSSIBLE SUPPORT TO HELP U.S. INDUSTRY PROVIDE COMPETITIVE EXPORT FINANCING FOR THIS TRANSACTION.

2. CONSUMMATION OF THE TRANSACTION WOULD HAVE FAR MORE POTENTIAL IMPORTANCE THAN THE IMMEDIATE 5.1 MILLION DOLLAR EXPORT VALUE. FIRST, IT WOULD BE A STEP FORWARD IN THE EFFORTS U.S. EXPORTERS HAVE BEEN MAKING WITH OUR ASSISTANCE TO SELL EQUIPMENT WHICH ZAVODI CRVENA ZASTAVA WILL IMPORT AS IT PROCEEDS WITH ITS 400 MILLION DOLLAR DEVELOPMENT PROGRAM THROUGH 1980. THE ENTERPRISE IS NOW ORIENTED MAINLY TOWARD EUROPEAN SUPPLIERS AND IT IS SOMEWHAT SKEPTICAL THAT U.S. EXPORTERS CAN MEASURE UP IN FINANCING THEIR SALES.

3. SECOND, COMPLETION OF THE TRANSACTION WOULD BE A BREAKTHROUGH IN AN EXPORT PROMOTION CAMPAIGN UNDERWAY FOR SEVERAL MONTHS IN YUGOSLAVIA BY THE NATIONAL MACHINE TOOL BUILDERS ASSOCIATION
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(NMTBA) WITH SUPPORT FROM THE DEPT OF COMMERCE AND THE EMBASSY. NMTBA MEMBERS NOW HAVE LESS THAN 5 PERCENT OF A GROWING YUGOSLAV MARKET FOR MACHINE TOOLS. DEPT OF COMMERCE SEMINAR AND SEVERAL GROUP VISITS OF NMTBA MEMBERS TO YUGOSLAVIA HAVE DEVELOPED PROMISING OPPORTUNITIES AND BEGUN TO CONVINCE YUGOSLAV ENTERPRISES THAT U.S. FIRMS CAN COMPETE IN PRICE, TECHNOLOGY, DELIVERY AND SERVICE WITH BETTER-KNOWN EUROPEAN

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MANUFACTURERS. SINCE ZAVODI CRVENA ZASTAVA IS A BELLWETHER, ITS DECISION IN THIS TRANSACTION--POSITIVE OF NEGATIVE--MAY WELL HAVE A DEMONSTRATION EFFECT ON OTHER YUGOSLAV ENTERPRISES.

4. ZAVODI CRVENA ZASTAVA IS THE FIFTH LARGEST INDUSTRIAL ENTERPRISE IN YUGOSLAVIA. IT EMPLOYES OVER 32,000 AND REPORTED A TURNOVER OF 1.2 BILLION DOLLARS IN 1975 (1976 FIGURES NOT YET AVAILABLE). THE FIRM IS YUGOSLAVIA'S LARGEST MANUFACTURER OF PASSENGER CARS (INCLUDING FIAT AUTOMOBILE) AND OF COMMERCIAL VEHICLES. IT ALSO HAS DIVISIONS WHICH PRODUCE SPORTING AND OTHER WEAPONS AS WELL AS FORGINGS AND MACHINE TOOLS FOR CUTTING, MEASURING AND TESTING. ITS DEVELOPMENT PROGRAM WILL INCREASE AUTOMOBILE PRODUCTION TO 255,000 UNITS AND TRUCK PRODUCTION TO 18,000 UNITS ANNUALLY. IN ADDITION, THE ENTERPRISE WILL BEGIN PRODUCTION OF AGRICULTURAL EQUIPMENT AND ENVIRONMENTAL CONTROL SYSTEMS. U.S. FIRMS NEGOTIATING POSSIBLE SALES OR INDUSTRIAL COOPERATION ARRANGEMENTS WITH ZAVODI CRVENA ZASTAVA INCLUDE GENERAL MOTORS, ALLIS CHALMERS, AND BABCOCK-WILCOX IN ADDITION TO VARIOUS NMTBA MEMBERS. FOR FURTHER INFORMATION SEE REF C. YORK

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Concepts: n/a
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Executive Order: N/A
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 STATE 48859, 77 STATE 70988, 76 BELGRADE 6052
Retention: 0
Review Action: RELEASED, APPROVED
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2912558
Secure: OPEN
Status: NATIVE
Subject: PROPOSED EXIMBANK FINANCING OF AN INVESTMENT CASTING FACILITY AND MACHINE TOOLS TO ZAVODI CRVENA ZASTAVA, KRAGUJEVAC, YUGOSLAVIA
TAGS: BPRO
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/334601ab-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009